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CASE-STUDY: VALUE CREATION WHEEL APPLIED TO A START-UP IN THE BEVERAGE INDUSTRY, THE FIRST STEPS FOR A SUCESSFUL MARKET ENTRY

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Abstract

“When written in Chinese, the word crisis is composed of two characters - one represents danger, and the other represents opportunity.” - *John F. Kennedy*

The purpose of this Work Project is to present a real case-study that provides insights and a practical example on to solve part of the challenges faced by a start-up in the beverage industry through the application of the Value Creation Wheel meta-framework. Some of the problems that will be tackled are encompassed by a market analysis, the creation of a value proposition and identification of the most suited country to start internationalizing.

Keywords: Case-study, Decision Making, Problem Solving, Internationalization, Value Creation, Market study.

On a cloudy June morning, Mr. Rui Marques, the founder, and CEO of Warrior Capacity, a Kombucha manufacture, was restlessly wondering what his next steps would be and how to solve the challenges ahead of him. Mr. Marques did not have enough resources to deal with delays in product development and go-to-market strategy. He knew that the time window to enter the market was shrinking as the number of competitors entering the market was raising and the first mover advantage was being jeopardized. Aware of the number and complexity of the challenges needing solutions, the CEO got out of bed and decided to call an external team specialized in the Value Creation Wheel framework (VCW). He had recently become familiarized with the VCW framework and was hoping that it could bring a breath of fresh air to the company. Unlike the weather at that time, will the future shine for Warrior Capacity?

Warrior Capacity: The Company and its Background

Warrior Capacity, an innovative company in the beverages industry in Portugal, was officially founded in September 2020 by Mr. Marques. Their goal is to produce and commercialize a Kombucha made with glacier water sourced from the Vale Glaciar do Zêzere, located in the National Park of Serra da Estrela. This water is considered to be the third the best water in the world, due to its unique purity, natural filtration, and other chemical characteristics. The product, Hermi, was named after the designation given by the Romans to Serra da Estrela - “Herminius Mons”, which is the highest point in mainland Portugal and the largest protected area in the country. Warriors’ plant is based in Manteigas, on the heart of Serra da Estrela, and the headquarters are situated in Benfica, Lisbon.

The main goal is to change the consumers’ perception towards Kombucha by developing, producing, and commercializing a tasty drink, with several health benefits, that can successfully penetrate the market and grow with it. Built around the values of innovation, diversity, creativity and environmental consciousness, Warrior’s vision is to be disputing the title of the

biggest Kombucha brand in Portugal by 2022, and one of the biggest in Europe by 2025. All these while promoting sustainability and creating value in the interior of Portugal.

With more than fifteen years of experience in the food sector, several successful big internationalization projects, and a vast network in the industry, Mr. Marques is one of the most fundamental assets in the company. Warrior Capacity is financed by equity and currently open for new investors to join. Since Kombucha's production process is very complex and the stabilization of the beverage is hard to attain, Hermi is still in a testing phase.

Initial Meeting

In July 2020, the VCW Team had its first meeting, via Zoom, with Mr. Marques. The VCW Team had to understand the thorn in the side of the company and to provide the CEO with a deeper knowledge regarding the VCW framework.

The VCW Team started by presenting the VCW framework (*Exhibit 1*), as well as each one of the five different phases. After the presentation, the CEO was amazed with the fact that the model could provide not only a clear and concrete solution for the challenge, but also the actions needed to effectively implement and develop the solution. The secret is entitled to the fact that each one of the five phases is highly customizable and can suit different types of problems and challenges. Additionally, it provides a more creative approach when compared to the traditional tools, by involving multiple stakeholders and not constraining the process of idea generation. The Key Decision Maker (KDM) was convinced that it was the perfect problem-solving framework to tackle the different and complex problems he had to solve. After a deep-dive presentation about the CEO's background and the company situation, the VCW Team was not sure about what the main challenge was, due to the wide variety of challenges that Mr. Marques was facing. Knowing the importance of defining a concrete challenge to pursue the path with the highest potential, the VCW Team arranged a meeting for the next day. Fresh and with one

more participant in the meeting, Ms. Barbara Boléo the marketing director, the VCW Team started by brainstorming about several topics, such as the company's market entry plan, growth strategy and consumer analysis. They realized that none of these topics had already been tackled by the company. Two main challenges were identified: (1) The definition of a clear and concrete value proposition that would transmit the brand's unique values and attributes, while delivering value simultaneously to the domestic and international market and becoming a source of competitive advantage for the company; and (2) The identification of the most suitable country to start exporting and internationalizing the product. The VCW team was hired to develop a 5-month project that would present an effective solution for the challenges above mentioned. Without any documents about the market and the company, the production process in such an early stage, and being a young company with very limited resources, how can the VCW Team successfully tackle all the challenges?

VCW Phase 1 - *Discovering Value*

In this phase, the VCW Team's main goal was to understand and gain knowledge about the product and the market context in which the company was involved. In order to achieve this, several tools were used to get a full perspective of all sides of the market.

Some might wonder: What is Kombucha? How did it appear? Why did Mr. Rui decided to enter this market? Well, Kombucha is “a fermented and sweetened tea often made with black or green tea (...) wherein a Scoby (symbiotic culture of bacteria and yeast) is placed (...) it is a non-alcoholic drink that contains vitamins, amino acids or other nutrients associated with health benefits” (Troitino, 2017). A secondary flavour is usually added to better suit the consumers (Barry, 2018). With its first references in 220 B.C., previously known as the immortality remedy, Kombucha travelled from Northeast China to Japan to help Doctor Kombu cure Emperor Inkyo's digestive problems (Barry, 2018). Even though the “vinegar drink”, as

mentioned in the bible, has its origins more than two thousand years ago, it was only in the turn of this century that it started being commercialized (Kim and Adhikari, 2020). It was in the US, with the claim to treat a “wide variety of human illnesses, including AIDS, cancer, cardiovascular diseases, and diabetes” (Market Data Forecast, 2016) that, in 1995, a homemade production owned by GT Dave started selling to local health stores and, this way, spreading its popularity to the rest of the country. Until the present days, GT’s Kombucha is still the market leader (Troitino, 2017), estimated to be worth nearly \$1 billion (Huddleston, 2020). Despite being long known for its health benefits, there are not any scientific conclusive papers about all its benefits. Due to its probiotic characteristics, it is strongly believed to contribute to a better immune system but its ability to cure cancer and AIDS is highly questionable (Barry, 2018). The VCW Team compounded a list of all benefits, dividing them in two different categories - the ones scientifically proven and the ones not scientifically proven (*Exhibit 2*).

A Changing Industry

The non-alcoholic market comprehends all drinks with an alcoholic content lower than 0.5% per volume. The market revenues have been constantly increasing during the last decades, growing from \$1.003 billion in 2017 to \$1.125 billion in 2019, and it is forecasted that until 2025 it will overpass the \$1.400 billion barrier. Due to Covid-19, it is expected that in 2020 the market registers a decline in revenues, but that in the coming year it will start recovering and that in 2023 it will overcome the crisis and its projected pre-Covid values (Yangadi, 2020). This reduction is mainly due to the decrease in out-of-home consumption, as the restaurants, bars and cafes have been closed or are working with some constraints (Statista, 2018).

Some might believe that the industry is having a solid growth and is consolidating, but the truth is that inside the non-alcoholic beverage market major changes are occurring. In order to analyse how the market is changing, we first need to understand its different components. The non-

alcoholic beverage market can be segmented by product type into carbonated soft drinks (65%), juices (8%), bottled waters (13%), sports (2%) and energy drinks (4%), RTD teas (4%) & coffees (2%) and others, with the respective market shares in 2019 (Global Market Insights, 2019). Consumers and Governments have taken measures to fight the high obesity rates and health problems caused by high levels of sugar consumption. Consumers are now more health conscious, seeking for zero sugar, natural and healthier products to balance their diets (*Exhibit 3*). Governments are creating several measures such as regulating labels, restricting the advertisement and promotion of sugary beverages, abolishing high-sugary drinks from schools, and creating and increasing of proportional taxes on sugary drinks (*Exhibit 4*). This way, the beverage industry is facing a tremendous pressure to try to adapt and capitalize on these changes. Providing several health benefits, functional beverages, like Kombucha, have been the ones profiting the most from this new health awareness and consciousness trends (*Exhibits 5 and 6*). These changes were anticipated and intensified due to the current pandemic environment. A great example to understand the magnitude of the change occurring in the industry is The Coca-Cola company. Despite being the main player in the industry and their numerous attempts to adjust to the new environment by introducing healthier variants of their products and diversifying to other markets, the centenary company is still facing sharp revenue declines (*Exhibit 7*).

Hermi Opportunity in the Portuguese Market

The Portuguese non-alcoholic beverage market has been growing at a CAGR of 5.8% over the last five years, from \$1376 million in 2015 to \$1819 million in 2020 (Euromonitor International, 2020). Along with the other developed countries, the market is also changing due to a generalized health consciousness. With the implementation of the sugar tax in 2017 and its posterior increase in 2018, and a Law constraining the marketing and advertisement of products with harmful ingredients for your health (e.g., drinks with more than 20kcal per 100g of

product), the carbonated soft drinks market registered a slowdown in its growth benefiting other healthier markets (Euromonitor International, 2019). The generality of the “healthier” companies operating in the Portuguese market were able to adapt to the new trends and regulations. Some of them were even able to capitalize on these changes and increase their consumer base, being Captain Kombucha one of the best examples. Despite being one of the countries in Western Europe with a higher per capita consumption of RTD Tea, with 16 litres in 2017 (Schmit, 2018), the pattern of consumption in this market is also changing. Even with all the efforts to launch new and healthier versions of their products with functional characteristics (Euromonitor International, 2019), Lipton, the major player in the Portuguese RTD Tea market has been losing market share over the last years. Meanwhile, Captain Kombucha has been catching the consumers’ attention and driving the entire segment up (Schmit, 2018), having almost tripled its retail value share in two years (Euromonitor International, 2019). The expected CAGR is 42% until 2024 (Schmit, 2018), being one of the main reasons for its growth the positioning in the Health and Wellness product shelves, distancing themselves from traditional brands.

Since data regarding Kombucha brands, market size, trends, and consumers in Portugal is scarce, the VCW Team conducted several interviews and surveys aiming at understanding key market features. From the nine Kombucha brands in Portugal, the VCW Team was able to interview five managers and co-founders from different brands. These extensive interviews allowed the VCW Team to understand the competitive environment (*Exhibits 8 and 9*), as well as some important insights about the market. Understanding the importance and size of the home-made Kombucha market, the VCW Team also interviewed the administrator of the biggest Portuguese Facebook page for home-made kombucha, with more than 20 thousand members. Based on the interviews, the Team was able to forecast the size of the Portuguese Kombucha production market. In 2019, half a million litres were produced and consumed in

Portugal, 80% being produced by Captain Kombucha, 5% were home-made productions, either for household consumption or to sell, and the rest 15% were evenly distributed between the rest of Portuguese Kombucha companies. The survey conducted to understand the Portuguese Kombucha consumers was distributed in multiple online platforms to reach the maximum amount of people with different demographic characteristics, and a total of 399 answers were obtained. The survey brought light to important insights about the product awareness, the consumer needs, and some crucial elements regarding product characteristics (*Exhibit 10*). The VCW Team characterized the Portuguese Kombucha industry as being very attractive, since it has relatively low levels of competition and high potential profits. To understand the best way for Hermi to profit from the market, the Team conducted a TOWS analysis to identify possible strategies to be pursued (*Exhibit 11*). To take advantage of the market opportunities, the company should use the shareholders connections to establish contracts and build strong and healthy relationships with distributors. This way, it will be able to increase product availability in different distribution channels and at the same time increase geographic coverage. Due to its bold and attractive packaging, Hermi will be able to stand out from the shelves and be noticed by shoppers, increasing brand awareness and sales.

VCW Phase 2 – *Creating Value*

After conducting an exhaustive analysis of the problem and the context in which it is inserted, the VCW Team moved on to the second phase of the VCW framework. The goal now is to gather the maximum number of ideas/solutions for the challenge and define the selection criteria for those ideas/solutions. To do so, the VCW Team conducted interviews, surveys, brainstorming and brainwriting sessions with several different stakeholders, both internal and external to the company.

Firstly, the VCW Team led a brainstorming activity with the KDM to better understand his opinions about the solutions for the problems. Regarding the first challenge “What should be the value proposition for the new Kombucha?”, through intensive research and benchmarking of the value proposition of different companies in several segments of the industry, the Team gathered 17 ideas and 7 different filters. The interviews made in the previous stage resulted in 6 new ideas and 4 new filters. During one of the visits from the VCW Team to the factory in Serra da Estrela, a session with brainstorming and brainwriting activities was conducted. Six stakeholders that had been invited by the CEO, ranging from product developers to campaign managers, participated. A mix of individual and group interactions was used to avoid biasness, and the convergence of thoughts enabled the Team to collect 9 ideas and 3 filters. The online survey conducted in the previous phase resulted in 12 ideas and 6 filters, these low numbers are a result of Kombucha being a niche market, less than 12% of the participants had tried the fermented tea. The VCW Team was also invited by one of the Kombucha Companies Co-founder to participate in the Kombucha Summit, an event that joins owners, co-founders and enthusiasts from the Kombucha industry. After analysing all the ideas and filters, removing duplicates and very similar ideas, the VCW Team ended up with 39 ideas and 14 filters for the value proposition challenge (*Exhibits 12 and 14*).

Regarding the internationalization challenge, the VCW Team understood that the expansion country would have to be geographically close, due to budget restrictions and product transportations constraints, so a list of 45 potential candidates was agreed with the KDM (*Exhibit 13*). From the market research, the analysis of other internationalization strategies, and the meeting with Mr. Marques, the VCW Team identified 15 filters for the selection of the internationalized country (*Exhibit 15*).

VCW Phase 3 – *Validating Value*

In this phase the goal is to separate the wheat from the chaff, to do so the VCW Team scheduled a meeting with Ms. Boléo. To execute this task in the most efficient way, the Poker Method (*Exhibit 16*) was used so that the Team could select which ideas and filters were or were not ready to be applied. Regarding the first challenge, identification of the value proposition, from the application of this process to the ideas and filters, 13 ideas were kept, 17 killed, 6 reviewed and 3 multiplied. As for filters, 7 were kept and 4 reviewed. After analysing and brainstorming about the reviewed and multiplied ideas and filters, 3 more ideas and 3 more filters were added to the Kept list (*Exhibits 17 and 18*). The Poker method was also applied to the second challenge, the country selection, filters resulting on 11 kept filters and 4 being killed (*Exhibit 19*).

On September 23, a meeting with Mr. Marques took place to present and validate the list of final solutions and filters as well as to rank the “Kept” filters according to their importance. The VCW Team explained the high importance of a clear and reasonable hierarchy of filters, since they will be the ones used to choose the final solutions. The process of the selection and qualifying the filters was simple - both the Team and the KDM had to grade each one of the filters “Low”, “Medium” or “High”, according to their relevance. The “Low” filters were disregarded, the “Medium” would be discussed later and the “High” were Kept and ranked according to their importance. The final two list sets of filters rankings were compared, and the points of oddness were discussed. The scores were similar in most of the filters, only one filter was classified by the Team as “High” and classified by the KDM as “Low”, which was the “Only promote benefits that can be proven and not promote them as a medicine”. Several hours of discussion followed, regarding whether this filter was important or not. Even though Mr. Marques was strongly convinced about the truth in all the Kombucha benefits, due to the lack of strong evidence supporting them, the VCW Team was not comfortable with the possible

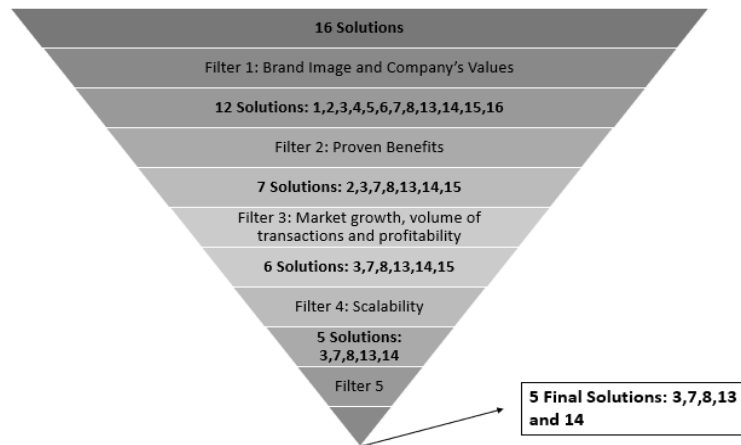
promotion of a product that was not backed up by conclusive scientific evidence. By a consensual agreement it was decided to attribute a “High” score to this filter. The benefits were then discussed and agreed about which ones were considered “backed up” by science and which were not (*Exhibit 2*).

By the end of the meeting, the ranks of filters were done resulting in 5 filters for the Value Proposition (*Exhibit 20*) and 9 for choosing the country (*Exhibit 21*). Both the VCW Team and Mr. Marques left the meeting very enthusiastic and ready to continue working.

VCW Phase 4 – *Capturing Value*

The VCW Team was approaching the final solutions. To do so, the VCW Team used the Value Creation Funnel, the application of the ranked filters by the KDM to all the potential solutions that came from the previous phase. This allows, in an easy way, to find the gold nuggets in a bucket full of mud, meaning that the filters were carefully applied to reduce the number of potential solutions and identify the solutions with the highest potential in this specific context.

Using a total of 5 filters, starting with the most important ones, and going down to the least important ones, the VCW Team was able to funnel the 16 potential solutions into 5 of which “providing a 100% organic drink that enhances the gut health by improving the digestive system”, “Provide a healthier substitute for the carbonated soft drinks”, “Provide a tasty and healthier alternative (low sugar, low carbs and low calories) for the RTD Teas”, “Provide a tasty drink that promotes a life-style (Eco-friendly, Vegan and 100% Natural)” and “Provide an easy and affordable way for more enthusiastic customers to produce their own Kombucha (e.g. a do-it-yourself kit and online workshops on how to do your home made Kombucha)” (*Picture 1*).

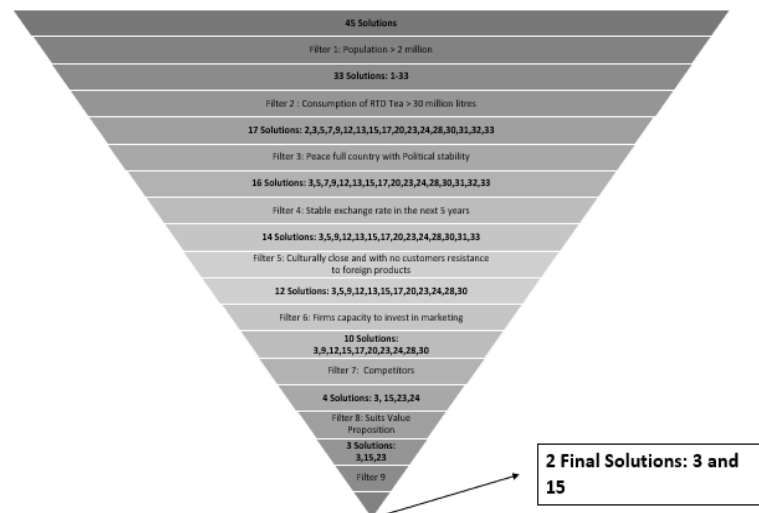


Picture 1: VCW Funnel for the Value Propositions

The high number of ideas was seen by the VCW Team not as a weakness but rather as an opportunity to evaluate and combine some of the final potential solutions, as they were interconnected and complementary among them. As a result, 4 of the potential ideas were merged and compiled into a final and reinforced value proposition, which is: *Delivering to our clients an accessible beverage that is craft on 100% Natural, Fresh, High Quality and Vegan ingredients which contains low sugar, low carbs, and low calories and is a much tastier and fun substitute for traditional refrigerant, while delivering at the same time several health benefits. And a Brand that is built on the principles of trust, transparency, sustainability and promoting a close relation with the clients by providing online subscriptions, discounts to regular buyers, and do-it-yourself kit and online workshops on how to prepare your home made kombucha - to improve the quality of the existing home made kombucha productions. Aiming at embracing a waste free lifestyle.* To enjoy the discounts and subscriptions, the purchases will have to be done through the brand's website.

The same process was used to find the country with the highest potential for Hermi to expand and prosper. With the 9 filters for the countries that resulted from the brainstorming session with the KDM, the VCW Team built the first Value Creation Funnel (Picture 2). It led to two

countries - Austria and Hungary - that despite being very different, presented several opportunities for the company to prosper.



Picture 2: *VCW Funnel for the Countries of internationalization*

Austria was a predictable target as it is a country with a relatively higher purchasing power and a very strong and rooted consumption of RTD Tea and Kombucha. Being one of the leading European countries regarding Kombucha consumption, the market is basically a monopoly with the main player being Carpe Diem. After further analysis, the VCW Team found that Carpe Diem gained this position due to high investments in marketing and advertisement. They mainly focused on Vienna, which is the capital and the city with the highest population concentration, roughly 25% of the total population. With this, smaller cities, with less population but also with a much lower cost of advertising, were left out of their target. Due to the lack of competition in the market, Carpe Diem is practicing very inflated prices (12 euros per litre). Despite the geographic closeness to Austria, Hungary presents a very different environment. With a relatively lower purchasing power, Hungary's RTD Tea consumption per capita is one of the highest in Europe. But the Kombucha market is still in its early steps, mainly due to the fact that the general population is very price-sensitive. Adding to that, there is only one main

Kombucha brand in the market - Captain Kombucha - which practices premium prices when compared to more mainstream brands like Lipton. This makes the product only available to the higher-end of the population.

VCW Phase 5 – *Consolidating Value*

The VCW Team scheduled a meeting with Mr. Marques and Ms. Boléo to present the final ideas, collect feedback from them, and access if they decided to Go, NoGo or Check.

Regarding the value proposition challenge, the Board was also surprised with the fact that the VCW Team was able to compile the different final ideas into one final value proposition. Confident about it, the CEO decided to Go with the final solution for the value proposition. Regarding the second challenge, the identification of an internationalization country, the Board was very surprised with the final countries (Austria and Hungary). They had never thought about them as potential markets for expansion, but soon realized that despite being such different countries from one another, both fulfilled all the criteria and presented great opportunities for the company. However, at this stage they decided to leave it in stand by because the company was still in the very first steps and did not have the necessary resources to enter the Portuguese market and a foreign one at the same time. The decision of expansion was postponed to sometime after a successful entry and settlement of the company in the Portuguese market. Everybody left the meeting with a smile in their face and very hopeful for a sunnier future.

The VCW Team started to define a go-to-market strategy, which will enable the delivery of Hermi's unique value proposition to the customer. To ensure an efficient allocation of resources, the VCW Team started by defining the Target consumers so that the all the actions and decisions would be ensured to suit this specific public. Being the market for Kombucha still a small niche one, the VCW Team decided not to tackle exclusively regular drinkers of the

product, but instead a specific profile of consumers that already consumes some sort of substitutes for the “Warriors Tea”. The chosen target market can be characterized by: (1) Demographic: 18-45 women; (2) Behaviour: moderate-heavy consumer of healthy drinks, looking for a tasty, high quality, biological and healthy beverage as an alternative to traditional and boring water and juices; (3) Characteristics: social, health and wellness devotees, environment conscious, physically active, sophisticated and with a medium-high purchasing power; and (4) Geography: live in big urban areas or their periphery. Three different consumer profiles in the form of personas were defined by the VCW Team, as well as the selling point required to satisfy their needs. The aim is to facilitate the visualization and understanding of the target segment. (*Exhibit 22*).

“For sophisticated, social and health-conscious persons whose goal is to have an every-occasion drink that represents a sustainable lifestyle and at the same time is tasty and has health improving benefits. Hermi offers the perfect no regrets balance Day & Night beverage, a healthier and tastier alternative for boring traditional drinks”.

Hermi will be positioned in the Kombucha segment, within the healthy beverages’ category made with high quality natural ingredients. It provides the consumer with the emotional benefit of knowing that they are consuming a natural and health enhancing product that respects the environment and nature. There are strong functional benefits such as hydration, several nutrients intake and improvement of gut health. Due to its premium price compared to traditional beverages (e.g., Refrigerants and RTD Teas), it is very important that Hermi is not positioned in the drink’s category, but in the Bio & Healthy category. There it will be perceived as an affordable product and those differentiating from the “sugar free” and “healthy” versions of traditional drinks.

Based on the target and the positioning chosen, the VCW Team developed a brand identity (*Exhibit 23*), a marketing mix strategy in which it defined the product characteristics (Product), the distribution channels and places where to sell the product (Place), the pricing strategies for each distribution channel (Price) and the marketing and advertisement tools to reach the end-customers (Promotion). Moreover, specific Key Performance Indicators for each one of the Ps were also created, in order to ensure that when implemented, the strategy is going in the right direction at the right pace. For a guided and successful market entry, the VCW Team listed all the relevant tasks needed as well as the time, money, and manpower needed to complete them.

Decision Time

On November 26, the VCW Team scheduled a meeting with Mr. Marques and Ms. Boléo in the company's plant facilities in Manteigas, Serra da Estrela. The meeting aimed at presenting the final results of the project, receiving feedback on their willingness to pursue the model developed, and trying the product. Several internal and external stakeholders were invited to assist the VCW Team's presentation and to participate in the discussion which followed. The VCW Team briefly presented the first 4 phases of the VCW and then explained with more detail the go-to-market strategy developed for Hermi to enter the Portuguese market. The general audience was surprised with the plan elaborated by the VCW Team, as it included ideas gathered from each one of the stakeholder's feedback, generating an interesting discussion. Mr. Marques was very enthusiastic with the strategy, one of the highlighted points was the fact that the VCW Team took into consideration and built its placement strategy around the fact that he had a great connection with one of the biggest distribution channels to restaurants and cafes in the country. After a long and detailed discussion about the strategy developed by the VCW Team, the KDM was very keen to go with the plan but decided to wait and schedule a meeting for the beginning of next year. This postponement decision was based on the fact that it was the day before an important press release from the Portuguese Prime Minister. Where he would be

communicating a possible lockdown in the presiding month and a potential vaccine distribution for Covid-19 starting in the beginning of the upcoming year.

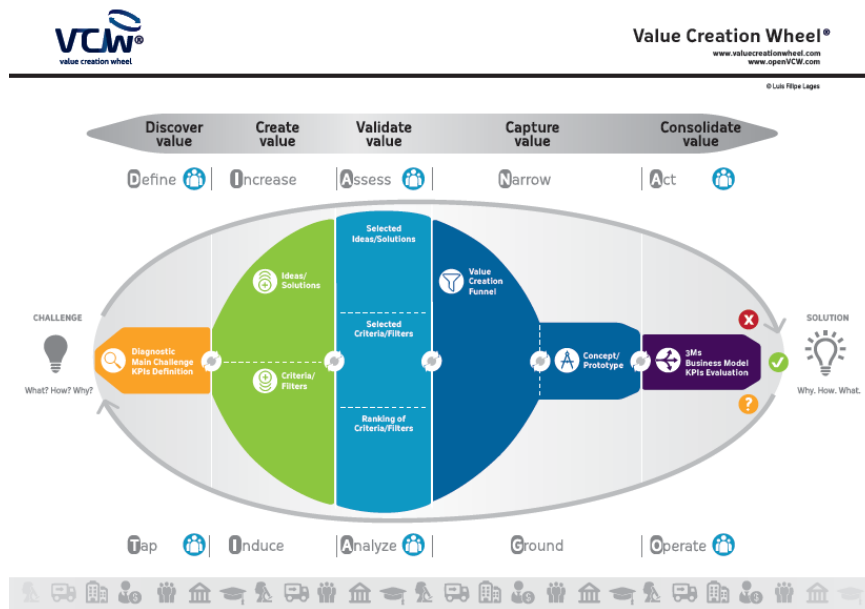
Several important recommendations were made for the company to start entering the market. Among them the most important ones were: (1) The registration in the Kombucha Brewers International Group, the most respected in this category and a useful tool to have access to data about R&D, market reports and other players' information; (2) The attendance in the 2021 Kombucha Summit, as this event aims at promoting and facilitating the integration of new Kombucha Companies in the market; and (3) The application for the European Union and regional funds for start-ups located in the interior regions of Portugal.

At the end of the meeting a feeling of success was floating in the air, the VCW Team was able to break down the challenges and answer them completely. This was done with the help of the VCW cycles, which enabled the movement from abstract concepts into concrete, detailed and reliable solutions. The group left the conference room, and it was time to finally try Hermi Kombucha, always respecting the appropriate social distancing. Will Mr. Marques decide to Go with the VCW Team's plan in the next meeting? Will the plan guarantee a successful market entry for Hermi in the Portuguese market? Will Hermi be able to sustain its values during an internationalization phase?

Case Study Exhibits

- Exhibit 1:** *The Value Creation Wheel framework (VCW)*
- Exhibit 2:** *Kombucha Benefits categorization*
- Exhibit 3:** *Non-alcoholic market: Trend analysis*
- Exhibit 4:** *Non-alcoholic market: PESTLE analysis*
- Exhibit 5:** *Ready To Drink (RTD) Tea: Market analysis*
- Exhibit 6:** *Kombucha: Market analysis*
- Exhibit 7:** *The Coca-Cola Company*
- Exhibit 8:** *Competitor Analysis*
- Exhibit 9:** *Porter's 5 Forces*
- Exhibit 10:** *Consumer Survey Results*
- Exhibit 11:** *SWOT & TOWS Analysis*
- Exhibit 12:** *List of ideas for the Value Proposition*
- Exhibit 13:** *List of the countries for internationalization*
- Exhibit 14:** *List of filters for the Value Proposition*
- Exhibit 15:** *List of filters for the countries of internationalization*
- Exhibit 16:** *The Poker Method*
- Exhibit 17:** *List of Kept ideas for the Value Proposition after the Poker Method*
- Exhibit 18:** *List of Kept filters for the Value Proposition after the Poker Method*
- Exhibit 19:** *List of Kept filters for the countries of internationalization after the Poker Method*
- Exhibit 20:** *List of ranked filters for the Value Proposition*
- Exhibit 21:** *List of ranked filters for the countries of internationalization*
- Exhibit 22:** *Target segment in the form of personas*
- Exhibit 23:** *Brand Identity Prisma*

Exhibit 1: *The Value Creation Wheel framework (VCW)*



Source: Lages, Luis Filipe. 2016. “VCW-Value Creation Wheel: Innovation, technology, business, and society”, *Journal of Business Research*.
<https://www.valuecreationwheel.com/>

Exhibit 2: *Kombucha Benefits categorization*

Kombucha Benefits
<u>Non- Scientifically proven benefits:</u> - “Detoxify blood - Reduce cholesterol level - Reduce atherosclerosis by regeneration of cell walls - Reduce blood pressure - Reduce inflammatory problems - Alleviate arthritis, rheumatism, and gout symptoms - Promote liver functions - Cure haemorrhoids - Reduce obesity and regulate appetite - Prevent/heal bladder infection and reduce kidney calcification - Stimulate glandular systems - Protect against diabetes - Increase body resistance to cancer - Have an antibiotic effect against bacteria, viruses, and yeasts - Enhance the immune system and stimulate interferon production - Relieve bronchitis and asthma - Reduce menstrual disorders and menopausal hot flashes - Improve hair, skin, and nail health - Reduce an alcoholic's craving for alcohol - Reduce stress and nervous disturbances, and insomnia - Relieve headaches - Improve eyesight - Counteract aging - Enhance general metabolism”
<u>Scientifically proven benefits:</u> - “Normalize intestinal activity, balance intestinal flora - Enhance Gut health - Improves the digestive system”

Source: Jayabalan, Rasu & Malbasa, Radomir & Loncar, Eva & Vitas, Jasmina. 2014. "A Review on Kombucha Tea". Wiley Online Library, June. <https://onlinelibrary.wiley.com/doi/full/10.1111/1541-4337.12073#:~:text=Chemical%20analysis%20of%20kombucha%20showed,14%20amino%20acids%2C%20biogenic%20amines%2C>

Exhibit 3: *Non-alcoholic market: Trend analysis*

- Europe and US are losing importance in the non-alcoholic beverage market while Asia and other emerging regions have registered a high growth in this industry, stressing the importance of geographic diversification (Yangadi, 2020).
- Emerging markets have not reached the sugar consumption level of developed regions, so they are less concerned with the importance of sugar-free or sugar-reduced products (Yangadi, 2020).
- The average per-capita sugar consumption has sharply increased over the last decades, from 19 kilograms in 2020 to 24 kilograms in 2016. Even though these values have increased all around the world, South America, Oceania, Europe, and North America are the leading regions regarding the per-capita consumption of sugar. This have been raising the levels of consciousness in relation to what they eat and drink as the overweight is affecting most of the population in developed countries. In Europe 60% and in North America 68%, of the population is considered overweight, in 2020. These numbers are rising a major concern and awareness regarding the amount of sugar that is consumed (Yangadi, 2020).
- Due to this new trend in health awareness, in the last years the global raw sugar consumption noticed a decline in its historical high growth rates (Yangadi, 2020).
- Consumers preferences have change, being more health conscious seeking for zero sugar, natural and healthier products to balance their diets. This way, the beverage industry is facing a tremendous pressure to try to adapt. Segments such as water bottle, natural juices, favoured waters, and Teas have been profiting due to these changes in consumers preferences (Yangadi, 2020).
- One of the segments that have been profiting the most from this new health awareness and consciousness trend is the functional beverage. Providing a wide variety of nutrients, antioxidants and probiotics, these beverages contribute for detoxing, weight loss, digestive health, among other benefits. Within this market, the subsegment profiting the most is the Kombucha market with an annually expected growth of 25% until 2020 (The Business Research Company, 2020).

Exhibit 4: *Non-alcoholic market: PESTLE analysis*

To have a deeper understanding about the company's external environment, the VCW Team conducted a PESTLE analysis with the aim of understanding possible factors that might affect the company. By doing a regular PESTLE analysis companies can keep an eye on competitors' strategies and seek for opportunities to reinforce its position in the market.

POLITICAL

- In the USA, Food and Drug Administration (FDA) is the entity regulating which ingredients can and cannot be used in the products as well as laws concerning the quality and health effects of the product.
- In Europe, companies must obey to the General Food Law Regulation which ensures a high standard in terms of human life protection, the regulations are insured by the European Food Safety Authority (EFSA) (European Commission, 2020). On top of the European legislations, Portuguese Companies also have to meet the standards of Autoridade de Segurança Alimentar e Económica (ASAE, 2020).
- Companies must ensure several other criteria and regulations regarding fiscal, labour, pollution, and waste policies. Fines are set by the government to companies that do not meet the regulations and laws. Companies have the responsibility of being aware and fulfilling changes and new laws and regulations.
- The Portuguese government, as several other governments around the world, are imposing circulation and companies' operation restrictions, such as forbidding the circulation in different parts of the country, and curfews during the weekend and holidays.

ECONOMICAL

- Still recovering from the financial crisis, the world is being hit by another crises, this time a pandemic one. With the governmental restrictions several small and medium size businesses are being severely affected, seeing their revenues sharply decreasing while the costs maintaining the same if not increasing. Resulting in the shutdown of operations of many companies, leading to increasing unemployment and poverty rates.
- General population is facing an income reduction.
- Raising price of raw materials such as sugar that has been increasing and is expected to increase over the next decade, from \$0.27/Kg in 2028 to \$0.38/Kg in 2030 (Yangadi, 2020).

LEGAL

- In developed regions like the US and Europe, governments are imposing more restricted measures to fight the high consumption of products with high content of sugar, and this way decrease the health-related problems caused by them. Examples of these restrictions and regulations are: (1) More restricted and regulated labelling measures, labels must provide true and correct nutritional information about the product; (2) Restrictions in the advertisement and promotion of sugary beverages; (3) Abolishment of high-sugary drinks from schools; and (4) Creation and increase of proportional taxes on sugary drinks (Yangadi, 2020) (BMI, 2017).
- If drinks contain more than 0.5% of alcohol by volume, they need to comply with different regulations and taxation (Global Market Insights, 2019).
- Since 2010, Kombucha products are facing increase regulations and inspections after several companies being fined due to an alcoholic percentage higher than 0.5 in their products (Kim and Adhikari, 2020).
- Tighter regulations on waste disposal and pollution have been imposed by governments. An example is the approval of “a law banning single-use plastic items in member states until 2021 by the European Parliament” (Yangadi, 2020).

SOCIAL

- By observing previous crisis, it can be stated that there is a pattern in the beverage market, usually non-alcoholic beverages sharply decline, starting by water bottles and then other soft drinks, and cheaper alcoholic drinks like beers more than double their sales (BMI, 2017). This time, the same pattern cannot be seen. Starting as a pandemic crisis and then spreading to the financial and economic sector, it accelerated and accentuated the health concerning trends that have been occurring in the past years, translating into an increase in healthier and with functional benefits beverages.
- General population in developed countries is embracing a more health-conscious lifestyle, favouring natural products to processed ones, and zero or diet versions of products.
- Dieting is now a popular trend that forced major players in the non-alcoholic beverage market to adapt by launching new and healthier products.
- Consumers are more willing to buy functional beverages like Kombucha as they offer not only natural contents but also several benefits (Global Market Insights, 2019).
- Millennials are gaining market share in the retail purchases (30% of total purchases) and are seeking for not-mainstream brands with authentic histories and healthier products (Strumwasser, 2016).

TECHNOLOGICAL

- Improvements in the manufacturing and operation of bottles, labels, and packaging.
- High automation in beverage production leading to higher productivity levels and easiness to adapt to changes in consumers demands.
- Improvement in logistics and distribution channels, decreasing the costs and the time a product takes to reach final consumers.
- With the social media penetration among younger generations, companies have new channels with low advertising costs and global outreach, allowing to build a more direct connection with the consumers and to easily obtain information and suggestions from them.
- Due to the recent problems with the alcoholic content in Kombucha, major companies have invested in new methods and technologies to lower the alcoholic content that results from the fermentation process. These new methods are usually patented, so each manufacture must invest in R&D to find its own solution (Kim and Adhikari, 2020).
- Many beverage companies have been investing in new packages for their products. Moving from the traditional plastic to recyclable materials as well as for alternative solutions (e.g., Paper Bottle Company creates 100% bio-based recyclable paper bottles, Soma launched refillable glass water bottles) (Yangadi, 2020).

ENVIRONMENTAL

- Over the last couple of years, companies in all sectors are getting more aware and responsible regarding the negative impact they have in the environment. Several measures have been taken to reduce the company's pollution and carbon footprint. The Kombucha sector is no exception, brands are switching the single use plastic bottles for recyclable plastic bottles or cans and refillable glass bottles. Other measures might include the plantation of trees or water recycling treatments to use the wasted water (Kim and Adhikari, 2020).

Exhibit 5: *Ready To Drink (RTD) Tea: Market analysis*

The global RTD Tea market has been growing over the past couple of years, from \$21.3 billion to \$22.5 billion, in 2018 and 2019, respectively, and that over the next 4 years, will reach nearly \$30 billion in 2024 (Statista, 2019). The market has been slowly evolving from a polar region (Asian Pacific) with nearly 80% of the total amount consumed, to a more segmented distribution with Western Europe and North America to increase its share in the RTD Tea consumption (Global Market Insights, 2019).

The market is highly fragmented in terms of competition, being the biggest brand Master Kong with less than 10% of market share, followed by Lipton with 5% of the market share (Euromonitor International, 2020). North America is the leading region in terms of growth, with a CARG of 5%, followed by Asian Pacific 2.6% and Western Europe with 2.5%, in 2017 (Schmit, 2018). With Western Europe catching up the leader, Asia Pacific, in regard of per capita consumption of RTD tea, with a value of seven litres, in 2017 (Schmit, 2018). In Western Europe, the leader company is Unilever (with the brand Lipton) owning nearly 20% of the market, in 2020. The main strength and reason why Lipton is in such position is due to the huge investment that has been done in marketing and the wide geographical coverage of the product. In recent years Coca-Cola, through a partnership with Nestle, entered the market with Nestea and in five years gained a market share of 7%, in 2020. As with Lipton, this growth is also due to huge and smart investments made in marketing campaigns and distribution networks. These two companies were able to capitalize regionally the new health and wellness trend due to the successful launch of Zero variants of their products. Being the consumption particularly high in Switzerland, Portugal, and Austria (Schmit, 2018).

Overall, the RTD Tea market has been profiting for several reasons: (1) The health-conscious trends are making consumers to look for alternatives to carbonated soft drinks; (2) Investments in product R&D, adding specific benefits to the products (e.g., energy boosters, specific properties for women and children) and creating new and interesting flavours with exotic ingredients; and (3) Gaining market from traditional hot teas due to its convenience.

Exhibit 6: *Kombucha: Market analysis*

Within the RTD Tea market, the sub-segment that has been growing the most is the Kombucha. Between 2014-2018 the “Warriors Tea” grew at a CAGR of 23%, with a global market value of \$1.24 billion in 2018, it was forecasted that until 2025 the market would more than triple, reaching values between \$3.5 to \$5 billion (Kim and Adhikari, 2020). North America holds the largest market share of 43%, in 2016 (Global Market Insights, 2019), this is mainly due to the high availability of the product and the growing demand for organic products (DuVale, 2019). Followed by Europe with a 27% share of the market, in 2016 (Global Market Insights, 2019), due to the rise of the product in supermarkets and the health-conscious trends that have been accompanied by a raise in disposable income (DuVale, 2019). Being the non-alcoholic beverage with the highest expected CAGR between 2019-2024 in the Western European market, Kombucha have been penetrating mainstream retailers and health food stores (Schmit, 2018).

This sub-segment has witnessed a rising number of new companies entering the market from 127 companies to 235 companies, in 2017 and 2018, respectively (KBI). It is expected that in 2020 the number of new companies entering the market will be even higher. As the level of competition increases, the main players are adopting new and diversified strategies to maintain the dominance. Some of the strategies go from “investing in R&D with new product launches”, expansion into new distribution channels, developing new products, to acquisition of new and smaller players (Barry, 2018). Due to the complexity in transporting Kombucha, the need for refrigeration and stabilization, players compete in a specific geographical area and not on a global scale. In the North American market GT’s has been the main player for as long as there is a market (Barry, 2018). But in the latest 2010s, with the entry of new brands and the acquisition of KeVita (the second largest player) by Pepsi Co., GT’s is losing dominance (Barry, 2018) (Kim and Adhikari, 2020). In more recent years, this effect has been amplified after Starbucks launched its Kombucha brand (Mordor Intelligence, 2019). These translated into a GT’s market share loss of over 40%, from 83% in 2011 to 41% in 2017 (Barry, 2018). In Western Europe, 56% of the market is owned by the two main players, being the rest of the market highly fragmented. With 38% market share the market leader is Carpe Diem Kombucha, which have benefiting from the first mover advantage. Even though being the market leader, Carpe Diem is only present in Austria and Switzerland while Captain Kombucha, a Portuguese company and the second biggest player with a 18% market share, is now available across Europe (Mordor Intelligence, 2019).

Trying to avoid mainstream beverages and looking for functional benefits from their beverages, millennials have been the ones driving the Kombucha market (Mordor Intelligence, 2019).

Exhibit 7: *The Coca-Cola Company*

The main player in the market is, by far, The Coca-Cola company with a brand value of almost \$38 billion, followed by Pepsi \$19 billion and Red Bull \$7 billion, in 2019 (The Business Research Company, 2020). All these big brands offer a wide range of different beverages, for instance Coca-Cola has more than 3500 beverages and 500 brands (Market.us, 2020). Despite all the efforts that have been done by the company to adjust to the changes, introducing healthier variants of sugar (e.g., Stevia) in their drinks, launching Zero-sugar products, and diversifying to other markets (Yangadi, 2020), Coca-Cola has still been facing a decrease in its revenues, from \$48 billion in 2012 to \$34.3 billion in 2018. This is mainly due to the fact that Coca-Cola is struggling to adapt to a low-sugar world (Yangadi, 2020), and even though its products share in the low and no-calorie market have been increasing from 25.2% in 2016 to 29% in 2019, this has not been enough to contradict the revenues decrease (Yangadi, 2020). In Europe, the Water & Sports drinks, and the Tea & Coffee are segments where the Coca-Cola products have a higher growth in its sales (3%, in 2019) (Yangadi, 2020).

Exhibit 8: Competitor Analysis

Brands	Value Proposition	Target Consumers	Price in Euros	Flavors	Product Characteristics	Strengths	Weaknesses
AQUELA Kombucha	Promote not only the product but also an experience and history about Kombucha	20-35 years old, medium purchasing power, like to socialize with friends and enjoy and learn new things	Pack of 12 (29 euros)	Seasonal flavours	Very traditional, 100% bio Certified 100% sustainable Clean and Simple image	Opened the first Kombucha Tap room in Portugal Strong Social media presence	Mainly online sales and factory sales
Captain Kombucha	Provide an affordable and healthier alternative to Carbonated Soft Drinks	General Population	Bottle 2.29 euros	Original, Raspberry, Coco, Cayenne pepper, Pineapple & peach and Ginger & limon	Medium level of sugar Not so traditional More industrialized	Large Scale production Strong and wide presence in large distributors Biggest player in the market, with almost all the market share	Bad reputation in the market, Not transparent regarding the production process and ingredients
Koji Kombucha	Provide a product with a personality and a history, that is tasty and fun to drink	Women between 20-40 years old, physically active with a high purchasing power	Bottle 2.9 euros	Eleven flavours with a Japanese taste	100% hand made 100% natural	Free delivery	Flavour not suited to Portuguese taste. Only online retail and small regional supermarkets
Fiz Kombucha		20-40 years old, people that follow a vegan diet and practice surf or yoga	10 euros per litre + 2 refundable euros for each bottle	3 different flavour per week	The flavours vary every week according to the sasonality of the ingredients		Milk man distribution Low stock Low Social media presence
Mai Kombucha	Promotes a healthier and more eco-friendly lifestyle, the belonging to a community of health and environment conscious persons	Women between 20-45 years old, cares about her health and environmental	Pack of 6 bottles 15 euros	10 different flavour, adequate to the Portuguese taste	100% Bio, 100% Natural, Track the origin of its ingredients Simple and colourful bottle	Home made Kombucha Kits (25 euros) with workshops Increasing the production capacity Strong social media presence	Only selling online

Source: Garcia, Inês. 2020. “Nove marcas portuguesas de kombucha para provar”. TimeOut. <https://www.timeout.pt/lisboa/pt/restaurantes/marcas-portuguesas-de-kombucha> (accessed on December 14, 2020).

Exhibit 8: Competitor Analysis

Brands	Value Proposition	Target Consumers	Price in Euros	Flavors	Product Characteristics	Strengths	Weaknesses
Oh K! Kombucha	Provide a stable, high quality and eco-friendly beverage that is an alternative to carbonated soft drinks	20-40 years old, like to practice exercise, cares about the origin and calories of the consumed products	Pack of 4 (9.4 euros)	More than 10 flavours available	Low in sugar, low in etanol, Low carbs Natural and Bio	Available in Bio physical retailers and coffees Strong social media presence	
Camellia Kombucha	Provide a healthier alternative to Carbonated Soft Drinks	30-50 years old, social active and with a high purchasing power	2.75 euros per bottle	Ginger, Grape and Original	100% Bio, 100% Pure Glass Bottle	In the first year sold almost 30 thousand litres	Low Social Media presence Very regional beverage available with physical presence only in the North of Portugal
Home Lab Kombucha	Provide a healthy alternative to alcoholic beverages (e.g. beer, cider)	30-50 years old, conscious about what they consume	4 euros per bottle	Seasonal flavours	100% Bio, 100% Natural, Home made production, more traditional production	Kombucha producers for more than 20 years, great knowledge about the product	Small familiar company with a reduced production capacity Hand delivery
Amo Kombucha		Women from 25-40 years old, physically active	2,4 eros per bottle (not including the bottle price)	Original, gengibre and red fruits	Biological and fermented in small bats	Monthly subscription of 24 bottles for 58 euros, Celebrity endorsement	Small scale production Low Social Media presence

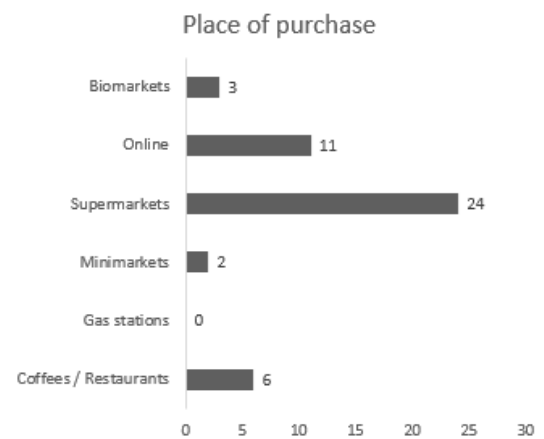
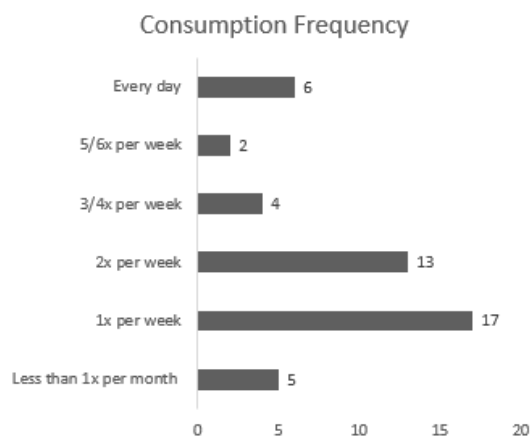
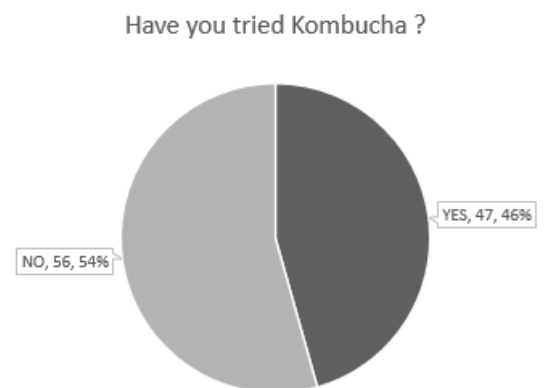
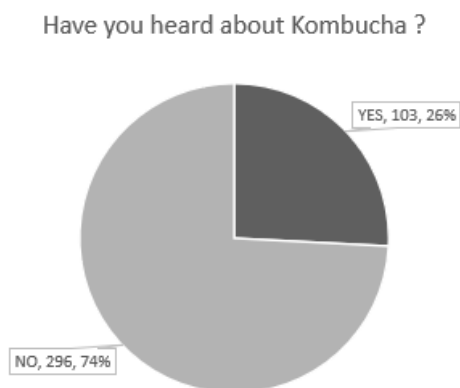
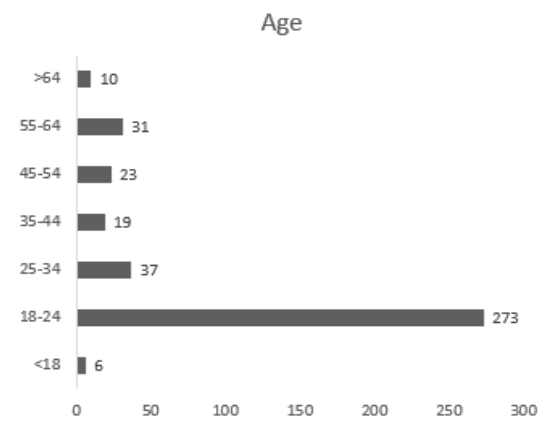
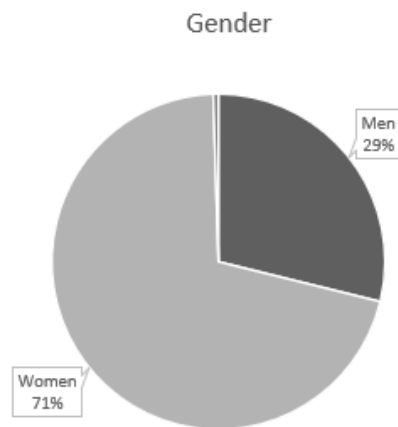
Average price per bottle (400ml) of 2.80 Euros.

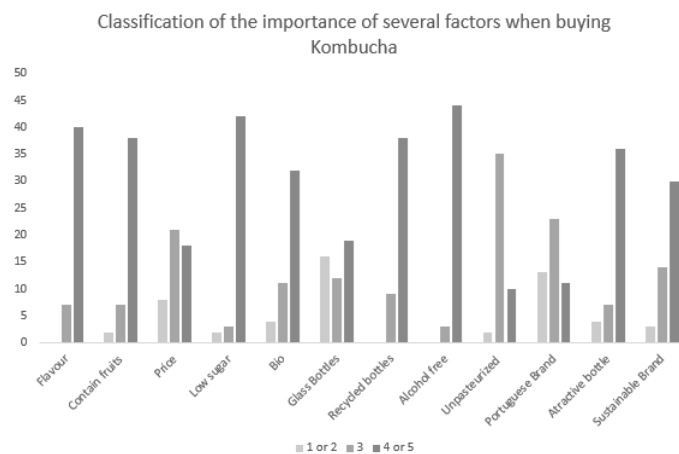
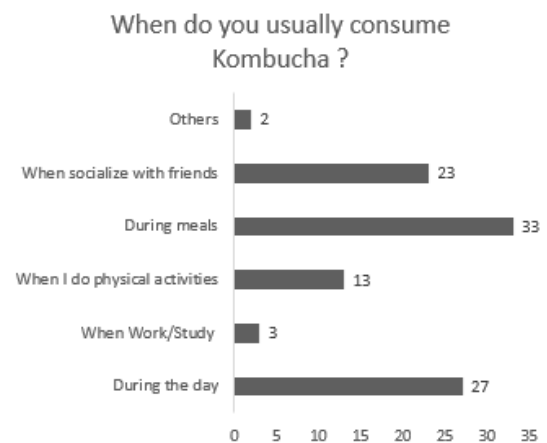
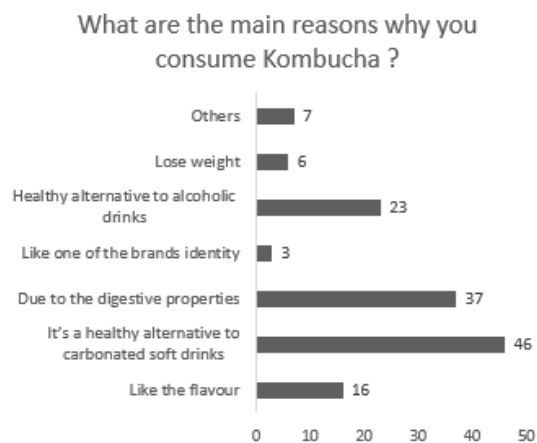
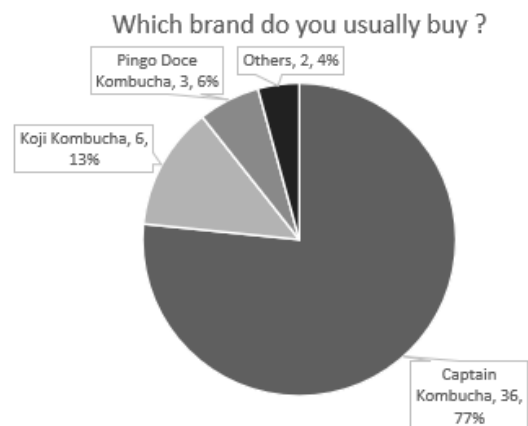
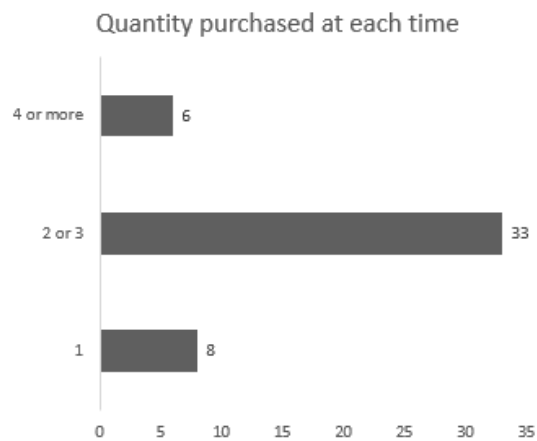
Source: Garcia, Inês. 2020. “Nove marcas portuguesas de kombucha para provar”. TimeOut. <https://www.timeout.pt/lisboa/pt/restaurantes/marcas-portuguesas-de-kombucha> (accessed on December 14, 2020).

Exhibit 9: Porter's 5 Forces

	Description	Power-Level
Threat of new entrants	High investment to enter the market as there are large capital costs needed for manufacturing. Usually, production and bottling are doing in the same manufacturing to decrease cross contamination. Distribution and storage can be outsourced but usually at a very expense cost as Kombucha needs constant refrigeration; High growth market – market potential – lot of distribution channels to explore (gas stations, restaurants, bars, supermarkets); As the number of new players enter the market increase the chance of new players entering decreases; Only one big brand with strong distribution channels setup, as new companies enter this distribution channels it is expected that the price decreases, so less attractive for new companies; Economies of scale are difficult to obtain as Kombucha needs to be produced in small batches to keep its traditional touch; Most of the companies entered the market in the last two years, relatively low brand awareness; Bureaucracies like licenses are usually expensive and time consuming.	Moderate-Low
Bargaining power of supplier	Firms can easily and quickly switch between suppliers as most raw materials and services supplied are very common and there are many current and potential suppliers in the industry; Companies can then choose the most efficient supplies, meaning, the ones that do the best job or provide the best raw material at the lower price; Low risk of forward and backward integration from the suppliers.	Low
Threat of substitute products	Even though not perfect substitutes there are a many a much cheaper beverages that can substitute Kombucha; With the rising trend of health and wellness, this threat has been declining due to the benefits of Kombucha when compared to the next best alternatives; Another indicator decreasing the threat of substitutes is the increasing shelves space for Kombucha product, that is expanding its availability exclusively from Bio supermarkets to regular super and hypermarkets.	Moderate-Low
Bargaining power of buyer	End-Buyers are price sensitive and even though not able to change easily between different Kombucha brands they can do it with substitute beverages; Regarding company direct buyers, in this case retailers, their power was considered low as Kombucha demand is increasing and there is currently only one firm with enough production capacity to fulfil it; With a high number of new companies entering the market it is expected that the both the retailers and end-consumers power increase once it will be easier to switch between brands.	Moderate
Rivalry among existing competitors	Competition in the Kombucha industry in Portugal is very concentrated in one big player controlling almost the entire market and with several other small firms with very little market share; Kombucha market is often characterized by high levels of loyalty and trust, but this have not been the case in Portugal. Being still such a young market, consumers still present low levels of loyalty as brand awareness is still very small; With the entry of new players, it is expected that competitive rivalry increases.	Moderate

Exhibit 10: Consumer Survey Results





Values (1= not important, 5= extremely important)

Exhibit 11: *SWOT & TOWS Analysis*

SWOT

OPPORTUNITIES

- Low presence of Kombucha in on-trade channels.
- No presence in festivals.
- Younger generations are more susceptible to try new products.
- Portugal have high levels of tourism from Germany and UK where high patterns of consumption of Kombucha already exists.
- The popularity of organic products is increasing and is expected to continue to increase.
- Consumers are pursuing a healthier lifestyle.
- Kombucha popularity in Portugal is increasing.
- Consumers tend to prefer brands which are Socially Responsible.
- Increasing willingness to pay for organic products.
- Reduced sugar consumption trend.
- Doors in mainstream retailers (Auchan, Pingo Doce, Continente) are opening.
- Growing of immigrants from Brazilian and Asian countries, where Kombucha consumption is higher.
- Increasing public health concerns due to obesity rising.
- Booming young population which is more health conscious and prefer not to consume mainstream beverages.
- Non-alcoholic beverages at-home consumption has been increasing.
- Kombucha taprooms are becoming popular.
- Females are the ones more focused towards fitness healthy eating habits and weight control.
- Overall Health and Wellness soft drink market is increasing from 44.4 % in 2014 to 52.9 % in 2019, of the total market.
- 78% of Portuguese households include healthy food in their shopping basket.
- Non-alcoholic beverages are a relatively underdeveloped category in B2C eCommerce. And this channel is expected to expand and grow at a high rate.

THREATS

- Negative associations with plastic bottles.
- Increase competition: in the last two years eight new Kombucha companies entered the market.
- With rising levels of uncertainty about the future and an economic crisis emerging consumers might decrease the consumption of products viewed as non-essential.

- Kombucha is still under debate and scrutiny regarding the veracity of its health benefits.
- Seasonable market.
- Fluctuations in raw materials prices.
- Legal issues regarding alcohol content as it is difficult to maintain an alcohol level under 0.5 %.
- Big companies are diversifying their portfolios with healthier and niche market products, increasing awareness and new clients for these smaller markets but also strong competition.
- Increasing prices of ingredients (e.g. Sugar price has been rising since 2018, \$0.21/Kg, and is predicted to reach \$0.38/kg in 2030) (Yangadi, 2020).
- Long-time consumers are looking for other fermented products (e.g. Kefir) (Barry, 2018).
- Difficult to store and to transport leading to damaged product (Market Data Forecast, 2016).
- Pricier than the average carbonated soft drinks.
- Manufactures are investing in R&D to provide enhanced nutrients and flavours to their beverages.
- Other drinks are targeting Kombucha consumers (e.g. Functional Waters, Organic Coconut Water, Functional RTD Coffees).
- Kombucha needs constant refrigeration in order to avoid an increase in the alcoholic content generated from a second fermentation (Kim and Adhikari, 2020).
- Captain Kombucha sold 43.5% of the company to the Norwegian company Orkla Foods, leading to a triple-digit value growth in sales (Euromonitor International, 2019).

STRENGTHS

- Experience in the beverage market and launching new products in the national market and abroad.
- The company is committed to produce sustainable products with reduced waste generation.
- Shareholder's network in major distribution channel and knowledge about the laws.
- Usage of glacier water, one of the bests in the world.

WEAKNESSES

- No brand awareness.
- Still in an early stage.
- Relatively low resources.

TOWS:

To overcome its weaknesses, the company should build strong and healthy relationships with distributors, this way it will be able to increase product availability in different distribution channels and at the same time increase geographic coverage. Due to its bold and attractive packaging, Hermi will be able to stand out of the shelves and this way being noticed by shoppers, increasing brand awareness and sales. With increasing level of sales, the company will be able to increase the quantity produced and this way decrease its unitary manufacturing cost. In the case of on-trade channels an after sales service should be provided to educate the employees about the characteristics and benefits of the product, free samples should be distributed among them to increase interest and also reinforce loyalty to the brand (Weaknesses and Opportunities).

To be able to avoid threats, before making any important decision, the company should analyse all the possible outcome of that decisions, one way to avoid future failures in strategies and moves made by the company is to keep an eye on the competitors, and analyse and try to anticipate their moves. To company marketing strategy and communication should be transparent and reinforce the company goal to achieve sustainability and social responsibility (Weaknesses and Threats).

To take advantage of the market opportunities, the company should use the shareholders connections to establish contracts with the major distribution channels. The company should enter the market with an effective and detailed strategy and positioning to make a successful market entry and correctly communicate the brands identity and values. Whenever not compromising companies positioning, several smaller and punctual strategic decisions should be made to meet eventual opportunities and exploit some niche markets (e.g. a specific music festival or surf competitions) (Strengths and Opportunities).

To take advantage its strengths, the company should use a sustainable and transparent positioning and, this way, try to differentiate and deviate from its competitors. Through the usage of recyclable materials and the support of local communities, using local ingredients, and partner with local hotels and restaurants the company will be able to transmit its identity and to develop strong relations with local key decision markers. Other key point is to develop and constantly work on relationships with suppliers aiming at increasing product quality and safety and this way improving overall players' position. To reinforce the brand's awareness and positioning, several measures could be taken such as applying for organic certification or campaigns with celebrity endorsement to conscious customers to live healthier and more sustainable lifestyles (Strengths and Threats).

Exhibit 12: *List of ideas for the Value Proposition*

<i>List of Ideas for the Value Proposition</i>
Health and wellness – <u>Kombucha positioned as a fermented beverage with extra health benefits</u> 1. Drink to boost your emotional wellbeing 2. Drink to increase your energy levels 3. Drink to increase your mental focus 4. An ally to increase weight loss 5. A good way to stay hydrated during the day 6. A drink to improve digestion 7. A drink to improve cholesterol levels 8. A drink to improve blood sugar levels 9. Reduce the risk of several types of cancers 10. A drink to reduce liver toxicity 11. A drink that cleans your organism from harmful bacteria 12. A drink that reduces heart diseases risk 13. A drink that strengthens the immune system 14. A drink that will boost your energy levels, being an ally to depression treatment 15. A drink that helps to control your anxiety 16. Provide a healthy beverage for the entire family 17. Lactose free, vegan, easy and tasty way to take your probiotics (e.g. Yogurts or Supplements) 18. 100% organic drink that enhances your gut health improving your digestive system. 19. A 100% organic drink that is rich in bacterial acids and enzymes enabling a body detox. 20. A 100% organic drink that is rich in bacterial acids and enzymes enabling a boost in the immune system. 21. Provide a tasty drink with an antibiotic effect against bacteria, virus, and yeasts 22. Provide a tasty drink that relieves bronchitis and asthma 23. Provide a drink that reduces menstrual disorders and menopausal hot flashes 24. A drink that improves hair, skin, and nail health 25. A drink that enhances general metabolism
Soft drink refreshment – <u>Kombucha positioned as a sour and fizzy beverage considered as a carbonated RTD tea</u> 1. A healthier substitute for your normal soft drink 2. A tastier substitute for your tea 3. Tasty and healthier alternative (low sugar, low cabs, low calories) for RTD Teas 4. A drink that intensifies the Green and Black Tea properties enabling several health benefits.

Alcohol alternative – Kombucha positioned as an alcohol replacement beverage

1. A great option to make cocktails
2. A healthy and tasty complement for alcoholic cocktails
3. Alcoholic Kombucha – tasty and healthier alternative to traditional party drinks (e.g. Beer, cider)
4. A healthier and flavoured alternative for spirit drinks (e.g. Vodka)
5. Provide a alcoholic Kombucha Barrel and sell it to restaurants and bars

Others

1. A tastier substitute for coffee
2. Drink that promotes a life-style (Eco-friendly, vegan, 100% natural)
3. Provide an easy and affordable way for more enthusiastic customers to produce their own Kombucha (e.g. a do-it-yourself kit and online workshops on how to do your home made Kombucha)
4. A complement to make cold drinks beverages (e.g. Lattes, Coffees)
5. Creation of a factory tap room selling the history and experience of traditional Kombucha

Exhibit 13: *List of the countries for internationalization*

1. Albania
2. Armenia
3. Austria
4. Belarus
5. Belgium
6. Bosnia and Herzegovina
7. Bulgaria
8. Croatia
9. Czech Republic
10. Denmark
11. Finland
12. France
13. Germany
14. Greece
15. Hungary
16. Ireland
17. Italy
18. Lithuania
19. Moldova
20. Netherlands
21. North Macedonia
22. Norway
23. Poland

24. Romania
25. Serbia
26. Slovakia
27. Slovenia
28. Spain
29. Sweden
30. Switzerland
31. Turkey
32. Ukraine
33. United Kingdom
34. Latvia
35. Kosovo
36. Estonia
37. Cyprus
38. Luxembourg
39. Montenegro
40. Malta
41. Iceland
42. Andorra
43. Monaco
44. Liechtenstein
45. San Marino

Exhibit 14: *List of filters for the Value Proposition*

1. Brand Fit
2. Integrity with company's values
3. Brand Awareness
4. Human Capital Requirements
5. Is there enough size in the market for the brand to be able to grow and profit
6. Is the market saturated with direct competitors
7. Can the brand scale to other markets
8. Possibility to extend the portfolio of product under the same brand
9. Market forecast in terms of growth, volume of transactions and profitability
10. Can the brand remain competitive over time in this market
11. Only promote benefits that can be proven (not sell the product as a medicine)
12. It suits the Brand Image and company's values
13. It contributes to Brand awareness
14. Does the company have the necessary human capital

Exhibit 15: *List of filters for the countries of internationalization*

1. Considerable size Population (more than 2 million)
2. Peace full country (no war or violent, political or humanitarian conflicts with other countries)
3. Considerable consumption of RTD Tea (more than 30 million litres)
4. Political stability
5. Country with low presence of Kombucha firms
6. Relatively stable exchange rate if not using euros
7. Relatively high purchasing power
8. Suits the company value proposition
9. Already a presence of trade relationships
10. Culturally close
11. Firms capacity to invest in marketing
12. Already built distribution network - Supply chain structure/ logistics
13. Cultural factors: customers resistance to foreign products
14. Can it offer competitive prices?
15. Suit consumers trends

Exhibit 16: *The Poker Method*

This method consists of “Kill”, “Keep”, “Review” or “Multiply” the solutions and filters being the purpose to define the which ones have the higher potential (Lages, 2016). Keep – the solution/ filter is ready to be applied; Kill – the solution/filter should be dropped; Multiply – the solution/filter has potential but needs to be improved; Review – the solution needs to be better defined.



Source: Lages, Luis Filipe. 2016. “VCW-Value Creation Wheel: Innovation, technology, business, and society”, Journal of Business Research. <https://www.valuecreationwheel.com/>

Exhibit 17: *List Kept of ideas for the Value Proposition after the Poker Method*

1. A tasty, healthy and natural drink to increase your energy levels and mental focus
2. Lactose free, vegan, easy and tasty way to take your probiotics (e.g. Yogurts or Supplements)
3. 100% organic drink that enhances your gut health improving your digestive system.
4. A 100% organic drink that is rich in bacterial acids and enzymes enabling a body detox.
5. A 100% organic drink that is rich in bacterial acids and enzymes enabling a boost in the immune system.
6. A drink that enhances the metabolism leading to weight loss
7. A healthier substitute for your normal carbonated soft drink
8. Tasty and healthier alternative (low sugar, low cabs, low calories) for RTD Teas
9. A healthier and flavoured alternative for spirit drinks (e.g. Vodka)
10. A healthy and tasty complement for alcoholic cocktails
11. Alcoholic Kombucha – tasty and healthier alternative to traditional party drinks (e.g. Beer, cider)
12. Provide a alcoholic Kombucha Barrel and sell it to restaurants and bars
13. A tasty drink that promotes a life-style (Eco-friendly, vegan, 100% natural)
14. Provide an easy and affordable way for more enthusiastic customers to produce their own Kombucha (e.g. a do-it-yourself kit and online workshops on how to do your home made Kombucha)
15. Creation of a factory tap room selling the history and experience of traditional Kombucha
16. A drink that intensifies the Green and Black Tea properties enabling a stronger immune system for the entire family

Exhibit 18: *List of Kept filters for the Value Proposition after the Poker Method*

1. Is there enough size in the market for the brand to be able to grow and profit
2. Is the market saturated with direct competitors
3. Can the brand scale to other markets
4. Possibility to extend the portfolio of product under the same brand
5. Market forecast in terms of growth, volume of transactions and profitability
6. Can the brand remain competitive over time in this market
7. Only promote benefits that can be proven and not promote them as a medicine
8. It suits the Brand Image and company's values
9. It contributes to Brand awareness
10. Does the company have the necessary human capital

Exhibit 19: *List of Kept filters for the countries of internationalization after the Poker Method*

1. Considerable size Population (more than 2 million)
2. Peace full country (no war or violent, political or humanitarian conflicts with other countries) with Political stability
3. Considerable consumption of RTD Tea (more than 30 million litres)
4. Country with low presence of Kombucha firms (less than 3)
5. Relatively stable exchange rate (if not using euros) in the next 5 years
6. Suits the company value proposition
7. Culturally close and with no customers resistance to foreign products
8. Firms capacity to invest in marketing
9. Already built distribution network - Supply chain structure/ logistics
10. The product can successfully compete on prices with others
11. Suit consumers trends

Exhibit 20: *List of ranked filters for the Value Proposition*

1. It suits the Brand Image and company's values
2. Only promote benefits that can be proven and not promote them as a medicine
3. Market forecast in terms of growth, volume of transactions and profitability
4. Can the brand scale to other markets
5. Possibility to extend the portfolio of product under the same brand

Exhibit 21: *List of ranked filters for the countries of internationalization*

1. Considerable size Population (more than 2 million)
2. Considerable consumption of RTD Tea (more than 30 million litres)
3. Peace full country (no war or violent, political or humanitarian conflicts with other countries) with Political stability
4. Relatively stable exchange rate (if not using euros) in the next 5 years
5. Culturally close and with no customers resistance to foreign products
6. Firms capacity to invest in marketing
7. Country with low presence of Kombucha firms (less than 3)
8. Suits the company value proposition
9. The product can successfully compete on prices with others

Exhibit 22: Target segment in the form of personas



Ana 18-26

She is a 22-year-old, recently graduated master student who started working in a major consulting firm. Ana is a very sophisticated young lady with a medium purchasing power.

Hobbies: read and learn about nutrition, running, and involved in several activities to promote a more sustainable way of living.

She usually has dinner out and goes clubbing several times per week with her friends.

But because she is aware of what she consumes, usually just drinks a normal boring bottle of water as she does not consume alcohol neither artificial nor caloric refrigerants. Ana is looking for a beverage to consume during meals and at clubs, a drinks that is tasty and fun but at the same time natural, alcohol free and low in calories.



Joana 25-35

She is a 30-year-old fitness and yoga instructor.

Hobbies: Runs an Instagram page with fitness and healthy food content, do physical and mental exercises, create her own recipes, plan travels, and pet her two dogs.

On a Joana's last travel to Southeast Asia, she learned and tried her first Kombucha, since then she is a regular consumer. Usually, Joana always carries her own bottle of home-made kombucha as she has not found a tasty, traditional, and natural Kombucha available in her favourite restaurants and shopping places.



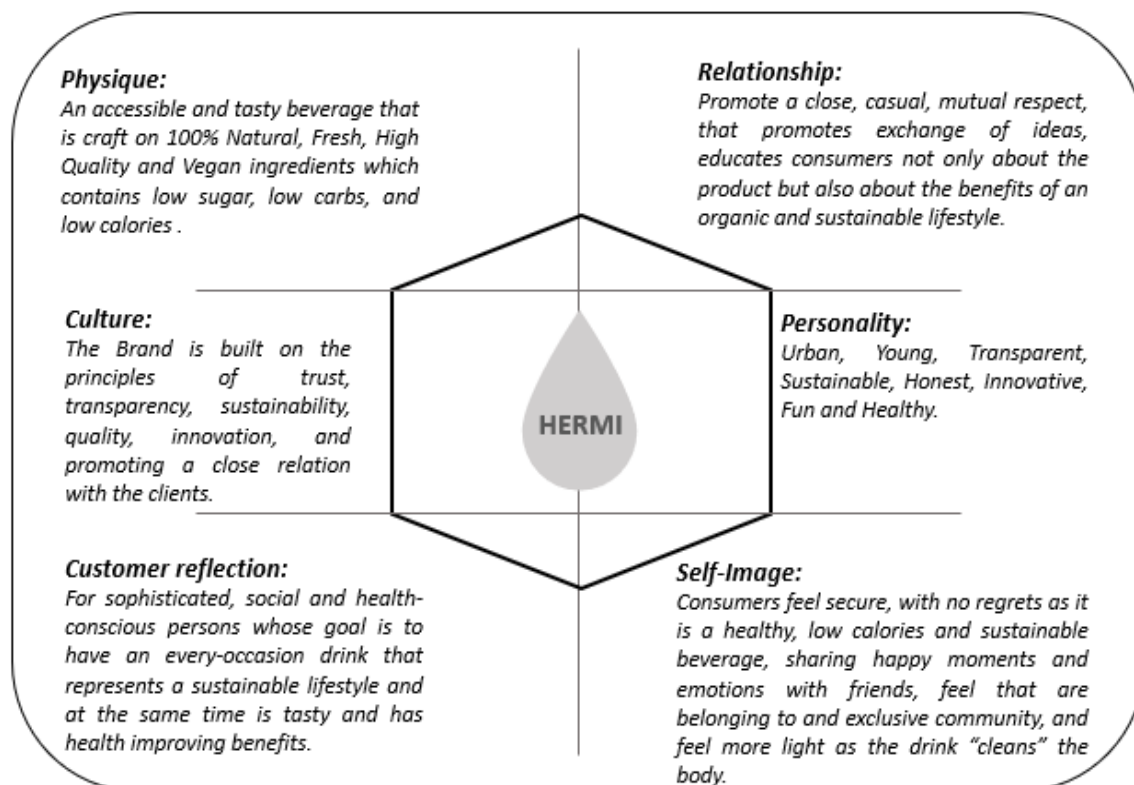
Margarida 30-45

She is a 36-year-old mom of a 3-year-old and 4-month-old girls. Margarida recently quit her job and decided to be a stay home mom to be more present in her daughter's life.

Hobbies: Painting, Pilates classes, outdoor activities and reading.

Joana is looking to become more active and to pursue a healthier lifestyle for her and her family. Joana needs a fun, tasty and healthy beverage to replace the sugary juices that are usually consumed in the family's breakfast and at the same type also an ally during her workout sessions.

Exhibit 23: Brand Identity Prisma



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